

TOWN OF BALL, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/3/11

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ROZIER, HARRINGTON & MCKAY

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RETIRED - 2005

June 22, 2011

Independent Auditors' Report

To the Honorable Mayor and Board of Aldermen
Town of Ball, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ball, as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ball's management.

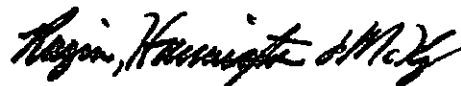
Due to concerns regarding activities of the previous administration, management was not able to provide written representations as required by generally accepted auditing standards.

Because of the significance of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to in the first paragraph.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. However, we did not audit the information and express no opinion on it.

The other supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2011, on our consideration of the Town of Ball's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of audit we were engaged to perform and should be read in conjunction with this report in considering the results of our audit.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

ROZIER, HARRINGTON & MCKAY

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June 22, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Board of Aldermen
Town of Ball, Louisiana

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Ball, as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 22, 2011. We did not express an opinion on basic financial statements because due to concerns regarding activities of the previous administration, management was not able to provide written representations as required by generally accepted auditing standards. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town of Ball's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as **2010-1** in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as **2010-2, 2010-3, 2010-4, 2010-6 and 2010-7** in the accompanying schedule of findings and questioned costs to be significant deficiencies.

-Members-

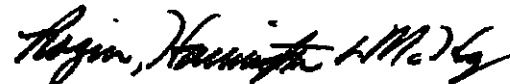
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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Ball's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported *under Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2010-1, 2010-2, and 2010-5**.

The Town of Ball's response to the findings identified in our audit is described in the accompanying Management's Corrective Action Plan. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.



ROZIER, HARRINGTON & McKAY
Certified Public Accountants

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

This section of the Town of Ball's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2010.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after January 1, 2004 and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, fines and forfeitures, and intergovernmental sources.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

A comparative analysis of government-wide financial data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

| | For the Year Ended December 31, 2010 | | | For the Year Ended December 31, 2009 |
|----------------------------------|--------------------------------------|---------------------------------|---------------------|---|
| | Govern- mental Activities | Business- Type Activities | Total | |
| <u>Assets:</u> | | | | |
| Current and Other Assets | \$ 1,320,579 | \$ 964,994 | \$ 2,285,573 | \$ 1,957,790 |
| Internal Balances | (50,015) | 50,015 | — | — |
| Capital Assets | 1,252,719 | 7,132,813 | 8,385,532 | 7,827,664 |
| Total Assets | <u>2,523,283</u> | <u>8,147,822</u> | <u>10,671,105</u> | <u>9,785,454</u> |
| <u>Liabilities:</u> | | | | |
| Current and Other Liabilities | 52,866 | 779,641 | 832,507 | 199,853 |
| Long-term Liabilities | — | 81,844 | 81,844 | 540,972 |
| Total Liabilities | <u>52,866</u> | <u>861,485</u> | <u>914,351</u> | <u>740,825</u> |
| <u>Net Assets:</u> | | | | |
| Invested in Capital Assets (Net) | 1,252,217 | 7,023,237 | 8,275,454 | 7,232,383 |
| Restricted | 516,250 | — | 516,250 | 444,994 |
| Unrestricted | 701,950 | 263,100 | 965,050 | 1,367,252 |
| Total Net Assets | <u>\$ 2,470,417</u> | <u>\$ 7,286,337</u> | <u>\$ 9,756,754</u> | <u>\$ 9,044,629</u> |

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (84.8%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remain outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (5.3%) represent resources that are subject to restrictions that are imposed by agreements with various revenue sources.

The remaining resources (9.9%) are unrestricted and may be used at the Town's discretion.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

| | For the Year Ended December 31, 2010 | | | For the Year Ended December 31, 2009 |
|--|---|--|---------------------|---|
| | Govern- mental Activities | Business- Type Activities | Total | |
| Revenues: | | | | |
| Program Revenue: | | | | |
| Charges for Services | \$ 419,607 | \$ 804,571 | \$ 1,224,178 | \$ 1,163,936 |
| Operating Grants and Contributions | 35,818 | --- | 35,818 | 363,155 |
| Capital Grants and Contributions | --- | 930,046 | 930,046 | 804,523 |
| General Revenue: | | | | |
| Taxes | 1,039,649 | 46,894 | 1,086,543 | 1,151,089 |
| Licenses & Permits | 99,425 | --- | 99,425 | 106,276 |
| Intergovernmental | --- | --- | --- | 105,926 |
| Other | 10,794 | 23,806 | 34,600 | 68,934 |
| Total Revenue | 1,605,293 | 1,805,317 | 3,410,610 | 3,763,839 |
| Program Expenses: | | | | |
| General Government | 446,172 | --- | 446,172 | 508,081 |
| Public Safety | | | | |
| Police Department | 542,886 | --- | 542,886 | 500,260 |
| Fire Department | 155,854 | --- | 155,854 | 350,760 |
| Public Works – Streets | 406,353 | --- | 406,353 | 138,502 |
| Interest on Long-Term Debt | 158 | --- | 158 | 23,741 |
| Sanitation | --- | 348,755 | 348,755 | 381,949 |
| Sewer | --- | 798,307 | 798,307 | 687,541 |
| Total Expenses | 1,551,423 | 1,147,062 | 2,698,485 | 2,590,834 |
| Increase in Net Assets Before Transfers and Special Items | 53,870 | 658,255 | 712,125 | 1,173,005 |
| Transfers | (113,751) | 113,751 | --- | --- |
| Change in Net Assets | (59,881) | 772,006 | 712,125 | 1,173,005 |
| Net Assets Beginning | 2,530,298 | 6,514,331 | 9,044,629 | 7,871,624 |
| Net Assets Ending | \$ 2,470,417 | \$ 7,286,337 | \$ 9,756,754 | \$ 9,044,629 |

Governmental activities decreased the Town's net assets by \$59,881. The decrease is attributable to transferring excess resources to business type funds.

Business-type activities increased the Town's net assets by \$772,006. The increase is attributable to capital contributions resulting from grants awarded for improvement to the utility system.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

An analysis of significant matters affecting the Town's funds is presented as follows:

- The Town's governmental funds reported combined fund balances of \$1,229,740, which represents an increase of \$8,979. The minor increase is attributable to efficient use of the Town's resources.

Town of Ball

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

- Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

Budgets were amended in order to reduce the original appropriation to an amount more closely resembling actual expenditures.

CAPITAL ASSET ADMINISTRATION

Capital asset activity for the year ended December 31, 2010 is summarized as follows:

| | <u>Govern- mental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|-------------------------------------|---|---|---------------------|
| <u>Additions:</u> | | | |
| Equipment Acquisition | \$ 22,800 | \$ 8,500 | \$ 31,300 |
| Additions to Pinebrook Fire Station | 92,850 | — | 92,850 |
| Sewer System Improvements | — | 935,389 | 935,389 |
| Total Additions | 115,650 | 943,889 | 1,059,539 |
| Depreciation | (179,832) | (321,840) | (501,672) |
| Net Increase (Decrease) | (64,182) | 622,049 | 557,867 |
| Beginning Capital Asset (Net) | 1,316,901 | 6,510,764 | 7,827,665 |
| Ending Capital Assets (Net) | <u>\$ 1,252,719</u> | <u>\$ 7,132,813</u> | <u>\$ 8,385,532</u> |

DEBT ADMINISTRATION

No new debt was issued. Debt activity was limited to repaying a portion of existing debt totaling \$478,403. The amount repaid represents 81.5% of the balance outstanding at the beginning of the year.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

At the present time, management is not aware of any factors expected to have a significant impact on future operations.

Town of Ball

STATEMENT OF NET ASSETS

December 31, 2010

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 1,115,861 | \$ 212,452 | \$ 1,328,313 |
| Receivables (net) | 204,718 | 57,893 | 262,611 |
| Restricted Assets | | | |
| Cash and Cash Equivalents | - | 588,983 | 588,983 |
| Receivables (net) | - | 105,666 | 105,666 |
| Internal balances | (50,015) | 50,015 | - |
| Capital assets | | | |
| Non depreciable capital assets | 50,000 | 888,361 | 938,361 |
| Depreciable capital assets, net | 1,202,719 | 6,244,452 | 7,447,171 |
| Total assets | 2,523,283 | 8,147,822 | 10,671,105 |
| <u>LIABILITIES</u> | | | |
| Accounts and other payables | 52,364 | 39,807 | 92,171 |
| Deposits due others | - | 88,844 | 88,844 |
| Liabilities Payable From Restricted Assets | | | |
| Payments Due Under Construction Contracts | - | 623,258 | 623,258 |
| Long-Term Debt | | | |
| Due within one year | 502 | 27,732 | 28,234 |
| Due in more than one year | - | 81,844 | 81,844 |
| Total liabilities | 52,866 | 861,485 | 914,351 |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 1,252,217 | 7,023,237 | 8,275,454 |
| Restricted | 516,250 | - | 516,250 |
| Unrestricted | 701,950 | 263,100 | 965,050 |
| Total net assets (deficit) | \$ 2,470,417 | \$ 7,286,337 | \$ 9,756,754 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

STATEMENT OF ACTIVITIES Year Ended December 31, 2010

| | Program Revenues | | | Net Revenue (Expense) | | |
|---|------------------|----------------------|------------------------------------|--------------------------------|-------------------------|--------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities | Business-Type Activities |
| Governmental Activities: | | | | | | |
| General Government | \$ 446,172 | \$ 111,053 | \$ - | \$ - | \$ (335,119) | \$ (335,119) |
| Public Safety | | | | | | |
| Police Department | 542,886 | 289,168 | 23,083 | - | (230,635) | (230,635) |
| Fire Department | 155,854 | 5,736 | 12,735 | - | (137,383) | (137,383) |
| Public Works (Highways and Streets) | 406,353 | 13,650 | - | - | (392,703) | (392,703) |
| Interest on Long-Term Debt | 158 | - | - | - | (158) | (158) |
| Total Governmental Activities | 1,551,423 | 419,607 | 35,818 | - | (1,095,998) | (1,095,998) |
| Business-Type Activities: | | | | | | |
| Sanitation | 348,755 | 347,390 | - | - | (1,365) | (1,365) |
| Sewer | 798,307 | 457,181 | - | 930,046 | 588,920 | 588,920 |
| Total Business-Type Activities | 1,147,062 | 804,571 | - | 930,046 | 587,555 | 587,555 |
| Total | \$ 2,698,485 | \$ 1,224,178 | \$ 35,818 | \$ 930,046 | (1,095,998) | (508,443) |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Ad Valorem | | | | | 70,846 | 70,846 |
| Sales | | | | | 791,853 | 838,747 |
| Franchise | | | | | 176,950 | 176,950 |
| Licenses & Permits | | | | | 99,425 | 99,425 |
| Other | | | | | 10,794 | 34,600 |
| Transfers | | | | | (113,751) | 113,751 |
| Total General Revenues, Special Items and Transfers | | | | | 1,036,117 | 1,220,568 |
| Change in Net Assets | | | | | (59,881) | 712,125 |
| Net Assets - Beginning: | | | | | | |
| As Originally Reported | | | | | 2,444,009 | 8,958,340 |
| Prior Period Adjustment | | | | | 86,289 | 86,289 |
| As Restated | | | | | 2,530,298 | 9,044,629 |
| Net Assets - Ending | | | | | \$ 2,470,417 | \$ 9,756,754 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Balance Sheet

Governmental Funds - December 31, 2010

| | General Fund | Fire | Capital Projects | Debt Service | Total Governmental Funds |
|---|---------------------|-------------|---------------------|-----------------|--------------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 1,115,861 | \$ - | \$ - | \$ - | \$ 1,115,861 |
| Receivables (net) | 204,718 | - | - | - | 204,718 |
| Total assets | \$ 1,320,579 | \$ - | \$ - | \$ - | \$ 1,320,579 |
| Liabilities and Fund Balance | | | | | |
| <u>Liabilities</u> | | | | | |
| Accounts Payable | \$ 52,364 | \$ - | \$ - | \$ - | 52,364 |
| Interfund Payables | 50,015 | - | - | - | 50,015 |
| Total liabilities | 102,379 | - | - | - | 102,379 |
| <u>Fund Balance</u> | | | | | |
| Restricted For: | | | | | |
| Public Safety - Fire | 341,320 | - | - | - | 341,320 |
| Public Safety - Police | 33,542 | - | - | - | 33,542 |
| Public Works (Highways and Streets) | 132,610 | - | - | - | 132,610 |
| Unassigned | 710,728 | - | - | - | 710,728 |
| Total Fund Balances | 1,218,200 | - | - | - | 1,218,200 |
| Total Liabilities and Fund Balance | \$ 1,320,579 | \$ - | \$ - | \$ - | \$ 1,320,579 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Year Ended December 31, 2010

| | |
|---|---------------------|
| Total Fund Balances - Governmental Funds | \$ 1,218,200 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Liabilities not due and payable in the current period are excluded from the Governmental Fund Balance Sheet | (502) |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | <u>1,252,719</u> |
| Net Assets of Governmental Activities | <u>\$ 2,470,417</u> |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - Year Ended December 31, 2010

| | General Fund | Fire | Capital Projects | Debt Service | Total Governmental Funds |
|---|---------------------|------------------|---------------------|-----------------|--------------------------------|
| <u>Revenues:</u> | | | | | |
| Taxes: | | | | | |
| Ad Valorem | \$ 70,846 | \$ - | \$ - | \$ - | \$ 70,846 |
| Sales | 791,853 | - | - | - | 791,853 |
| Franchise | 176,950 | - | - | - | 176,950 |
| Licenses & Permits | 118,079 | - | - | - | 118,079 |
| Charges for Services | 33,001 | - | - | - | 33,001 |
| Intergovernmental | 116,730 | - | - | - | 116,730 |
| Fines and Forfeitures | 287,040 | - | - | - | 287,040 |
| Other | 10,756 | - | 38 | - | 10,794 |
| Total Revenues | 1,605,255 | - | 38 | - | 1,605,293 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| General Government | 423,698 | - | - | - | 423,698 |
| Public Safety | | | | | |
| Police Department | 496,813 | - | - | - | 496,813 |
| Fire Department | 98,876 | - | - | - | 98,876 |
| Public Works (Highways and Streets) | 352,046 | - | - | - | 352,046 |
| Capital Expenditures | 115,650 | - | - | - | 115,650 |
| Debt Service | 7,020 | - | - | - | 7,020 |
| Total Expenditures | 1,494,103 | - | - | - | 1,494,103 |
| Excess (Deficiency) of Revenue Over Expenditures | 111,152 | - | 38 | - | 111,190 |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Operating Transfers In | 335,448 | - | 8,050 | 35,229 | 378,727 |
| Operating Transfers Out | (8,050) | (335,448) | (64,917) | (84,063) | (492,478) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 438,550 | (335,448) | (56,829) | (48,834) | (2,561) |
| <u>Fund Balance (Deficit) - Beginning of Year</u> | | | | | |
| As Originally Reported | 693,361 | 335,448 | 56,829 | 48,834 | 1,134,472 |
| Prior Period Adjustment | 86,289 | - | - | - | 86,289 |
| As Restated | 779,650 | 335,448 | 56,829 | 48,834 | 1,220,761 |
| Fund Balance (Deficit) - End of Year | \$ 1,218,200 | \$ - | \$ - | \$ - | \$ 1,218,200 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended December 31, 2010

Net change in fund balances of Governmental Funds \$ (2,561)

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over
estimated useful lives and reported as depreciation expense.

| | | |
|----------------------|------------------|----------|
| Capital Expenditures | 115,650 | |
| Depreciation | <u>(179,832)</u> | (64,182) |

Repayment of bond principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets.

6,862

Change in net assets of governmental activities \$ (59,881)

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Net Assets

Proprietary Funds - December 31, 2010

| | Business-Type Activities - Enterprise Funds | | |
|---|---|--------------|--------------|
| | Sanitation | Sewer System | Total |
| <u>ASSETS:</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 95,260 | \$ 117,192 | \$ 212,452 |
| Receivables (net) | 29,255 | 28,638 | 57,893 |
| Interfund receivables | - | 50,015 | 50,015 |
| Total current assets | 124,515 | 195,845 | 320,360 |
| Restricted Assets: | | | |
| Cash and cash equivalents | - | 588,983 | 588,983 |
| Receivables | - | 105,666 | 105,666 |
| Noncurrent Assets: | | | |
| Non depreciable capital assets | - | 888,361 | 888,361 |
| Depreciable capital assets, net | 191,903 | 6,052,549 | 6,244,452 |
| Total assets | 316,418 | 7,831,404 | 8,147,822 |
| <u>LIABILITIES:</u> | | | |
| Current Liabilities: | | | |
| Accounts and other payables | 13,461 | 26,346 | 39,807 |
| Deposits due others | 33,268 | 55,576 | 88,844 |
| Total current liabilities | 46,729 | 81,922 | 128,651 |
| Liabilities Payable From Restricted Assets: | | | |
| Payments due under construction contracts | - | 623,258 | 623,258 |
| Current portion of long-term debt | 11,562 | 16,170 | 27,732 |
| Noncurrent Liabilities: | | | |
| Long-term debt | 26,823 | 55,021 | 81,844 |
| Total liabilities | 85,114 | 776,371 | 861,485 |
| <u>NET ASSETS:</u> | | | |
| Invested in capital assets, net of related debt | 153,518 | 6,869,719 | 7,023,237 |
| Unrestricted | 77,786 | 185,314 | 263,100 |
| Total net assets (deficit) | \$ 231,304 | \$ 7,055,033 | \$ 7,286,337 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds - Year Ended December 31, 2010

| | Business-Type Activities - Enterprise Funds | | |
|--|---|---------------------|---------------------|
| | Sanitation | Sewer System | Total |
| <u>Operating Revenues:</u> | | | |
| Service Fees | \$ 345,419 | \$ 414,724 | \$ 760,143 |
| Other | 1,971 | 42,457 | 44,428 |
| Total Operating Revenues | 347,390 | 457,181 | 804,571 |
| <u>Operating Expenses:</u> | | | |
| Salaries and Benefits | 144,392 | 124,471 | 268,863 |
| Insurance | 27,215 | 13,676 | 40,891 |
| Repairs & Maintenance | 23,870 | 193,504 | 217,374 |
| Supplies & Chemicals | 38,605 | 23,941 | 62,546 |
| Utilities | 1,044 | 98,946 | 99,990 |
| Depreciation | 29,449 | 292,390 | 321,839 |
| Disposal Fees | 54,267 | - | 54,267 |
| Other | 27,992 | 38,384 | 66,376 |
| Total Operating Expenses | 346,834 | 785,312 | 1,132,146 |
| Operating Income (Loss) | 556 | (328,131) | (327,575) |
| <u>Nonoperating Revenues (Expenses):</u> | | | |
| Taxes | 23,447 | 23,447 | 46,894 |
| Other Revenue | 6,613 | 17,193 | 23,806 |
| Interest Expense | (1,921) | (12,995) | (14,916) |
| Change in Net Assets Before Contributions and Transfers | 28,695 | (300,486) | (271,791) |
| <u>Contributions and Transfers:</u> | | | |
| Capital Contributions | - | 930,046 | 930,046 |
| Operating Transfers In | - | 113,751 | 113,751 |
| Operating Transfers Out | - | - | - |
| Change in net assets | 28,695 | 743,311 | 772,006 |
| Total net assets - beginning | 202,609 | 6,311,722 | 6,514,331 |
| Total net assets - ending | \$ 231,304 | \$ 7,055,033 | \$ 7,286,337 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Cash Flows

Proprietary Funds - Year Ended December 31, 2010

| | Business-Type Activities - Enterprise Funds | | |
|---|---|--------------|------------|
| | Sanitation | Sewer System | Total |
| <u>Cash flow from operating activities:</u> | | | |
| Cash received from customers | \$ 349,885 | \$ 511,421 | \$ 861,306 |
| Cash payments to suppliers of goods and services | (167,853) | (347,501) | (515,354) |
| Cash payments to employees for services | (144,392) | (124,471) | (268,863) |
| Net cash provided (used) by operating activities | 37,640 | 39,449 | 77,089 |
| <u>Cash flows from non-capital financing activities:</u> | | | |
| Change in interfund balances | - | 29,598 | 29,598 |
| Operating transfers in | - | 113,751 | 113,751 |
| Taxes | 23,447 | 23,447 | 46,894 |
| Other Non Operating Revenue | 6,613 | 17,193 | 23,806 |
| Net cash provided (used) by non-capital financing activities | 30,060 | 183,989 | 214,049 |
| <u>Cash flows from capital and related financing activities:</u> | | | |
| Capital expenditures | - | (320,632) | (320,632) |
| Capital grant proceeds | - | 824,380 | 824,380 |
| Principle paid on revenue bonds | (11,103) | (467,237) | (478,340) |
| Interest paid on debt instruments | (1,921) | (36,651) | (38,572) |
| Net cash provided (used) by capital and related financing activities | (13,024) | (140) | (13,164) |
| Net increase (decrease) in cash | 54,676 | 223,298 | 277,974 |
| Beginning cash balance | 40,584 | 482,877 | 523,461 |
| Ending cash balance | 95,260 | 706,175 | 801,435 |
| Restricted cash and cash equivalents | - | 517,792 | 517,792 |
| Cash and cash equivalents | \$ 95,260 | \$ 188,383 | \$ 283,643 |

The accompanying notes are an integral part of the financial statements.

Town of Ball

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended December 31, 2010

| | Business-Type Activities - Enterprise Funds | | |
|---|---|------------------|------------------|
| | Sanitation | Sewer System | Total |
| <u>Reconciliation of operating income (loss)</u> | | | |
| <u>to net cash provided (used) by operating</u> | | | |
| <u>activities</u> | | | |
| Operating income (loss) | \$ 556 | \$ (328,131) | \$ (327,575) |
| Adjustments to reconcile operating income to net cash | | | |
| provided by operating activities: | | | |
| Depreciation | 29,449 | 292,390 | 321,839 |
| (Increase) decrease in accounts receivable | (1,183) | 47,512 | 46,329 |
| (Decrease) increase in accounts and other | | | |
| payables | 5,140 | 20,950 | 26,090 |
| (Decrease) increase in meter deposits | 3,678 | 6,728 | 10,406 |
| Net cash provided (used) by operating activities | <u>\$ 37,640</u> | <u>\$ 39,449</u> | <u>\$ 77,089</u> |

Supplemental disclosures of cash flow information:

During the year ended December 31, 2010, there were no operating, financing, or investing activities during the year that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

Town of Ball

Notes To Financial Statements

December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ball (the Town) was incorporated under the provisions of the Lawrason Act. The Town is governed by a Mayor and a Board of Alderman consisting of five (5) members. Services provided by the Town include police protection, fire protection, and street maintenance. The Town also operates a sanitation service and a sewer system that are supported by user charges.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards establish criteria for determining which component units should be considered part of the Town of Ball for financial reporting purposes. The criteria to be considered are presented as follows:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Town to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on these criteria the presented above, the only potential component unit is the Town's Volunteer Fire Commission. However, based on further consideration, it was determined that the Commission serves in an advisory capacity and does not have sufficient decision making authority to be considered a component unit.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before November 30, 1989.

Town of Ball

Notes To Financial Statements

December 31, 2010

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

Major Governmental Funds

General Fund – The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Fund – Prior to the current year, Fire Department activity was reported as a separate fund. Beginning with the current year, operation of the Fire Department has been reported as a component of the general fund.

Capital Projects – The capital projects fund was to account for proceeds from restricted ad valorem taxes. Since the Town no longer collects these taxes, the fund is no longer used.

Debt Service – The debt service was to account for proceeds from restricted ad valorem taxes. Since the Town no longer collects these taxes, the fund is no longer used.

Major Business-Type Funds

Sanitation Service – Used to account for transactions associated with collecting and disposing of solid waste.

Sewer System – Used to account for sewer collection and treatment, which is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for natural gas, water and sewer service.

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

Town of Ball

Notes To Financial Statements

December 31, 2010

| <u>Financial Statement Presentation</u> | <u>Basis of Accounting</u> | <u>Measurement Focus</u> |
|---|----------------------------|-----------------------------|
| Government-Wide Financial Statements | Accrual Basis | Economic Resources |
| Fund Financial Statements: | | |
| Governmental Funds | Modified Accrual Basis | Current Financial Resources |
| Proprietary Funds | Accrual Basis | Economic Resources |
| Fiduciary Funds | Accrual Basis | Economic Resources |

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or due under a cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as other financing sources and repayment of long-term debt is reported as an expenditure.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Budget Practices:

Budgets including any amendments are prepared in the manner prescribed by Louisiana revised statutes. Town budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. Budgets are adopted annually for the general fund and each special revenue fund. The remaining funds are not required to adopt budgets.

Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town. Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

Cash and Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by

Town of Ball

Notes To Financial Statements

December 31, 2010

requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Internal Activity:

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2010, cash and cash equivalents included the following amounts:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---------------------------|---|--|----------------------------|
| Cash Deposited in Banks | \$ 1,115,461 | \$ 801,035 | \$ 1,916,496 |
| Cash on Hand | 400 | 400 | 800 |
| Total Cash | 1,115,861 | 801,435 | 1,917,296 |
| Restricted Cash | --- | 588,983 | 588,983 |
| Cash and Cash Equivalents | <u>\$ 1,115,861</u> | <u>\$ 212,452</u> | <u>\$ 1,328,313</u> |

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2010, the Town has \$1,916,496 in deposits (\$1,958,727 collected bank balance). These deposits are secured from risk by \$995,320 of federal deposit insurance and \$2,417,631 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the year ended December 31, 2010 are summarized as follows:

Town of Ball

Notes To Financial Statements

December 31, 2010

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|-------------------|
| <u>Accounts Receivable</u> | | | |
| Charges for Services | \$ — | \$ 72,349 | \$ 72,349 |
| Ad Valorem Taxes Receivable | 14,382 | — | 14,382 |
| Franchise Taxes | 53,998 | — | 53,998 |
| Allowance for Doubtful Accounts | — | (17,970) | (17,970) |
| Total Accounts Receivable | <u>68,380</u> | <u>54,379</u> | <u>122,759</u> |
| <u>Due From Other Governmental Units</u> | | | |
| Sales Taxes | 136,338 | 3,514 | 139,852 |
| Grant Reimbursement | — | 105,666 | 105,666 |
| Total Due From Other Governments | <u>136,338</u> | <u>109,180</u> | <u>245,518</u> |
| Total Receivables | 204,718 | 163,559 | 368,277 |
| Restricted Receivables | — | 105,666 | 105,666 |
| Unrestricted | <u>\$ 204,718</u> | <u>\$ 57,893</u> | <u>\$ 262,611</u> |

NOTE 4—CAPITAL ASSETS

Changes in governmental and business-type capital assets are presented as follows:

| Non Depreciable Capital Assets | | | | |
|---------------------------------------|------------------------------|--------------------|-------------------|---------------------------|
| | Beginning Balance | Additions | Disposals | Ending Balance |
| <u>Governmental Activities</u> | | | | |
| Land | \$ 50,000 | \$ — | \$ — | \$ 50,000 |
| Construction in Process | 26,852 | 92,850 | 119,702 | — |
| Total Governmental Activities | <u>\$ 76,852</u> | <u>\$ 92,850</u> | <u>\$ 119,702</u> | <u>\$ 50,000</u> |
| <u>Business-Type Activities</u> | | | | |
| Sewer System | | | | |
| Land | \$ 5,130 | \$ — | \$ — | \$ 5,130 |
| Construction in Process | 882,678 | 935,389 | 934,836 | 883,231 |
| Total Business-Type Activities | <u>\$ 887,808</u> | <u>\$ 935,389</u> | <u>\$ 934,836</u> | <u>\$ 888,361</u> |
| Depreciable Capital Assets | | | | |
| | Beginning Balance | Additions | Disposals | Ending Balance |
| <u>Governmental Activities</u> | | | | |
| Furniture, Fixtures and Equipment | \$ 1,328,588 | \$ 22,800 | \$ — | \$ 1,351,388 |
| Buildings and Improvements | 917,589 | 119,702 | — | 1,037,291 |
| Street Infrastructure | 91,009 | — | — | 91,009 |
| Accumulated Depreciation | (1,097,137) | (179,832) | — | (1,276,969) |
| Total Governmental Activities | <u>\$ 1,240,049</u> | <u>\$ (37,330)</u> | <u>\$ —</u> | <u>\$ 1,202,719</u> |

Town of Ball

Notes To Financial Statements

December 31, 2010

| | Depreciable Capital Assets | | | |
|--|----------------------------|------------|-----------|----------------|
| | Beginning Balance | Additions | Disposals | Ending Balance |
| <u>Business-Type Activities</u> | | | | |
| Sewer System | | | | |
| Furniture, Fixtures and Equipment | \$ 262,901 | \$ 8,500 | \$ — | \$ 271,401 |
| Sewer System | 10,689,046 | 934,836 | — | 11,623,882 |
| Accumulated Depreciation | (5,550,344) | (292,390) | — | (5,842,734) |
| Total Sewer System | 5,401,603 | 650,946 | \$ — | 6,052,549 |
| Sanitation Department | | | | |
| Furniture, Fixtures and Equipment | 357,054 | — | — | 357,054 |
| Buildings and Improvements | 13,092 | — | — | 13,092 |
| Accumulated Depreciation | (148,793) | (29,450) | — | (178,243) |
| Total Sanitation Department | 221,353 | (29,450) | — | 191,903 |
| Total Business-Type | \$ 5,622,956 | \$ 621,496 | \$ — | \$ 6,244,452 |

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------|-------------------------|--------------------------|------------|
| General Government | \$ 22,475 | \$ — | \$ 22,475 |
| Police Department | 46,073 | — | 46,073 |
| Fire Department | 56,978 | — | 56,978 |
| Streets | 54,306 | — | 54,306 |
| Sewer System | — | 292,390 | 292,390 |
| Sanitation | — | 29,449 | 29,449 |
| Total Depreciation Expense | \$ 179,832 | \$ 321,839 | \$ 501,671 |

NOTE 5— ACCOUNTS AND OTHER PAYABLES

Details related to amounts reported as accounts and other payables are provided as follows:

| | Governmental Activities | Business-Type Activities | Total |
|--|-------------------------|--------------------------|-----------|
| Payable to Vendors | \$ 40,824 | \$ 36,574 | \$ 77,398 |
| Accrued Payroll | 11,540 | 3,233 | 14,773 |
| Payable Under Construction Contracts | — | 587,780 | 587,780 |
| Retainage Payable Under Contractual Arrangements | — | 35,478 | 35,478 |
| Total | 52,364 | 663,065 | 715,429 |
| Payables From Restricted Assets | — | 623,258 | 623,258 |
| Accounts and Other Payables | \$ 52,364 | \$ 39,807 | \$ 92,171 |

Town of Ball

Notes To Financial Statements

December 31, 2010

NOTE 6- LONG-TERM LIABILITIES

Long-term liabilities attributable to the acquisition of the Town's utility system and the operation of the sewer and sanitation systems are reported as an obligation of the Town's business-type enterprise funds. Remaining long-term liabilities are reported as governmental activities. Details regarding the Town's long-term debt are provided as follows:

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------|------------------------------------|-------------------------------------|--------------|
| <u>Long-Term Debt</u> | | | |
| Promissory Note | \$ 502 | \$ — | \$ 502 |
| Capital Lease Obligation | — | 38,385 | 38,385 |
| Revenue Bonds | — | 71,191 | 71,191 |
| Total Long-term Debt | 502 | 109,576 | 110,078 |
| Due Within One Year | 502 | 27,732 | 28,234 |
| Due in More Than One Year | \$ — | \$ 81,844 | \$ 81,844 |

Long-term debt activity during the year ended December 31, 2010 is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|------------------------------|------------------|-------------------|---------------------------|
| <u>Governmental Activities</u> | | | | |
| Promissory Note | \$ 7,364 | \$ — | \$ 6,862 | \$ 502 |
| <u>Business-Type Activities</u> | | | | |
| Capital Lease Obligation | 49,489 | — | 11,104 | 38,385 |
| Revenue Bonds | 538,428 | — | 467,237 | 71,191 |
| Total Business-Type Activities | 587,917 | — | 478,341 | 109,576 |
| Total Long-term Debts | \$ 595,281 | \$ — | \$ 485,203 | \$ 110,078 |

Promissory Notes

The Town has issued promissory notes which are secured by equipment being financed. Promissory notes outstanding at December 31, 2010 are described as follows:

\$19,483 bank note to purchase a 2009 Police Car payable in 36 monthly installments of \$583 beginning February, 2008 and ending January, 2011 including interest at a rate of 4.78% \$ 502

Revenue Bonds

The Town has issued revenue bonds that are secured by and payable solely from a pledge of funds generated by a specific revenue source. Revenue bonds outstanding at December 31, 2010 are described as follows:

\$228,000 Sewer Revenue Refunding Bonds Series 1994, bearing interest at a rate of 6.5%. The bond is payable in annual installments of \$20,801. Final maturity is scheduled for March, 2014. \$ 71,191

Town of Ball

Notes To Financial Statements

December 31, 2010

Scheduled Maturities:

A schedule of maturities for promissory notes are presented as follows:

| <u>Year Ended December 31st</u> | <u>Principal</u> | | <u>Interest</u> | <u>Total</u> |
|--|-------------------------|----------------------|-----------------|--------------|
| | <u>Promissory Notes</u> | <u>Revenue Bonds</u> | | |
| <u>Governmental Activities</u> | | | | |
| 2011 | \$ 502 | \$ — | \$ 2 | \$ 504 |
| <u>Business-Type Activities</u> | | | | |
| 2011 | \$ — | \$ 27,732 | \$ 6,095 | \$ 33,827 |
| 2012 | — | 29,300 | 4,526 | 33,826 |
| 2013 | — | 30,966 | 2,860 | 33,826 |
| 2014 | — | 21,578 | 1,278 | 22,856 |
| Total Business-Type | \$ — | \$ 109,576 | \$ 14,759 | \$ 124,335 |

Capital Lease Obligations

The Town has acquired equipment need for operations by executing capital leases. Capital lease obligations outstanding at December 31, 2010 are described as follows:

\$58,352 bank not to purchase a garbage truck in the amount of \$58,352 payable in 60 monthly installments of \$1,085 beginning March, 2009 and ending February, 2014 with interest at a rate of 4.35% \$ 38,385

Future minimum lease payments associated with the lease obligation described above are presented as follow:

| <u>Year Ended December 31st</u> | <u>Business Type Activities</u> |
|--|---------------------------------|
| 2011 | \$ 13,024 |
| 2012 | 13,024 |
| 2013 | 13,024 |
| 2014 | 2,171 |
| Total Minimum Lease Payments | 41,243 |
| Amounts Representing Interest | 2,858 |
| Present Value of Future Minimum Lease Payments | \$ 38,385 |

NOTE 7 – TAXES:

Ad Valorem Taxes:

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Rapides Parish. Property taxes are limited to an assessment for general alimony as permitted by State Law. Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed by the Town's General Fund.

Town of Ball

Notes To Financial Statements

December 31, 2010

Sales Taxes:

Citizens of the Town have permanently approved a 1.5% sales tax and a 0.5% sales tax. The sales taxes are collected by the Parish of Rapides and remitted to the Town on a monthly basis. The sales taxes are deposited in the Town's general fund and allocated to departments as required by dedications imposed by the sales tax propositions. These dedications are summarized as follows:

| | |
|---|---------|
| Fire Department | 28.75% |
| Police Department | 26.67% |
| Streets, Recreation and Community Centers | 37.08% |
| General Administration | 3.75% |
| Public Works and Facilities | 3.75% |
| | <hr/> |
| Total | 100.00% |

The Town is also entitled to receive a portion of a sales taxes that are shared with other government agencies. The proceeds of these additional taxes are unrestricted. Accordingly, the taxes are deposited in the general fund and expended at the Town's discretion.

NOTE 8- RISK MANAGEMENT

The Town is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town insures against these risks by participation in public entity risk pools that operate as common insurance programs and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – RESTRICTED RESOURCES

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. In addition, certain funds provided by grants are restricted until expended for purposes that are consistent with restrictions imposed by the grantor.

NOTE 10 – PENSION PLANS

Substantially all Town employees are members of statewide retirement systems. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Information regarding each plan is presented as follows:

Municipal Employees' Retirement System of Louisiana:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Town of Ball

Notes To Financial Statements

December 31, 2010

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 14.25% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the system were equal to the required contributions for the year.

Municipal Police Employees' Retirement System of Louisiana

Plan Description - All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70800-2250, or by calling (225) 929-7411.

Funding Policy - Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate that is currently 25%. The contribution requirements of plan members and the Town is established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the plan were equal to the required contributions for the year.

NOTE 11 – INTERNAL BALANCES

In some cases, the general fund collects funds on behalf of other funds and retains these funds until the resources are needed by the recipient fund.. These internal balances are summarized as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Net</u> |
|-----------------------------------|----------------------------------|-------------------------------|------------|
| <u>Governmental Funds</u> | | | |
| General Fund | \$ — | \$ 50,015 | \$ 50,015 |
| <u>Business Type Funds</u> | | | |
| Sewer System | \$ 50,015 | \$ — | \$ 50,015 |

Town of Ball

Notes To Financial Statements

December 31, 2010

NOTE 12 - TRANSFERS

Transfers between the various funds have been summarized as follows:

| | Governmental Funds | | | | | Business-Type Funds |
|--|--------------------|--------------|------------------|--------------|--------------|---------------------|
| | General | Fire | Capital Projects | Debt Service | Total | Sewer System |
| Transfer to consolidate Fire Department operations with the general fund | \$ 335,448 | \$ (335,448) | \$ — | \$ — | \$ — | \$ — |
| Transfers to close out inactive special revenue funds | — | — | (64,917) | (48,834) | (113,751) | 113,751 |
| Miscellaneous | (8,050) | — | 8,050 | — | — | — |
| Operating Transfers Net | \$ 327,398 | \$ (335,448) | \$ (56,867) | \$ (48,834) | \$ (113,751) | \$ 113,751 |

NOTE 13 - CONTINGENCIES:

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at December 31, 2010 are described as follows:

Litigation

Like most governmental units with extensive and diverse operations, the Town is occasionally named as a defendant in litigation. Based on consultation with Town Attorney, there are no anticipated claims that are expected to exceed available insurance coverage.

Grant Compliance

The Town receives state and federal assistance through various grant programs. Grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

An investigation by FEMA of assistance received in connection with hurricane Gustave resulted in the prosecution of several Town Officials. As a result of these prosecutions, the former Mayor, Town Clerk and Police Chief have entered guilty pleas in criminal proceedings. In addition to the criminal prosecutions, it is possible that the Town could be required to repay a portion of the FEMA assistance but potential repayment amounts cannot be estimated at the present time.

NOTE 14 - ON BEHALF PAYMENTS

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures by the Police Department in connection with State Supplemental Pay totaled \$22,033.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

Receivables reported at the end of the previous year excluded a portion of the Town's tax revenues. In order to correct this oversight, it was necessary to record prior period adjustment. The effect of prior period of adjustment on previous net assets and the change in net assets are provided as follows:

Town of Ball

Notes To Financial Statements **December 31, 2010**

| | General Fund | |
|-------------------------|------------------------------|---------------------------------|
| | Ending Net Assets | Change in Net Assets |
| As Originally Reported | \$ 693,361 | \$ (32,133) |
| Prior Period Adjustment | 86,289 | — |
| As Restated | \$ 779,650 | \$ (32,133) |

Town of Ball

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended December 31, 2010

| | Budget Amounts | | Actual | Variance with |
|--|-----------------------|-------------------|---------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Revenues | <u>1,606,553</u> | <u>1,389,220</u> | <u>1,605,255</u> | <u>216,035</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General Government | 443,272 | 415,000 | 420,936 | (5,936) |
| Public Safety | | | | |
| Police Department | 542,781 | 490,000 | 490,649 | (649) |
| Fire Department | 177,905 | 199,000 | 98,876 | 100,124 |
| Public Works (Highways and Streets) | 442,595 | 345,000 | 349,432 | (4,432) |
| Capital Expenditures | - | 45,000 | 115,650 | (70,650) |
| | <u>-</u> | <u>-</u> | <u>7,020</u> | <u>(7,020)</u> |
| Total Expenditures | <u>1,606,553</u> | <u>1,494,000</u> | <u>1,482,563</u> | <u>11,437</u> |
| Excess (Deficiency) of Revenue Over Expenditures | - | (104,780) | 122,692 | 227,472 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Operating Transfers In | - | - | 335,448 | 335,448 |
| Operating Transfers Out | - | - | (8,050) | (8,050) |
| Excess (Deficiency) of Revenues and Other Sources | | | | |
| Over Expenditures and Other Uses | - | (104,780) | 450,090 | 554,870 |
| Fund Balance (Deficit) - Beginning of Year | <u>693,361</u> | <u>693,361</u> | <u>779,650</u> | <u>86,289</u> |
| Fund Balance (Deficit) - End of Year | <u>\$ 693,361</u> | <u>\$ 588,581</u> | <u>\$ 1,229,740</u> | <u>\$ 641,159</u> |

Town of Ball

Schedule of Compensation Paid to Board Members **For the year ended December 31, 2010**

| | |
|--------------------|-------------------------|
| Roy Hebron | \$ 61,041 |
| Bryan Adams | 6,300 |
| Willie Bishop | 6,200 |
| Jerry Giddings | 5,717 |
| Genevive Poteet | 6,300 |
| Curtis Robertson | 6,300 |
| <hr/> | |
| Total Compensation | <u><u>\$ 91,858</u></u> |

TOWN OF BALL

Summary of Findings and Questioned Cost December 31, 2010

PART I

SUMMARY OF AUDITOR'S RESULTS

- The Independent Auditor's Report on the financial statements for the Town of Ball as of December 31, 2010 and for the year then ended expressed no opinion.
- Control deficiencies were reported in connection with the audit, see Part II for details.
- Instances of noncompliance material to the financial statements of the Town of Ball were disclosed during the audit, see Part II for details.
- No control deficiencies in internal control over major federal award programs were disclosed during the audit. Accordingly, there were no material weaknesses applicable to major federal award programs.
- The Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, expressed an unqualified opinion on compliance for major programs.
- The audit did disclosed audit findings which are required to be reported as findings and questioned cost in connection with Federal Programs.
- Major programs for the year ended December 31, 2010 are presented as follows:

United States Environmental Protection Agency

CFDA No. 66.458 Capitalization Grants for Clean Water State Revolving Funds

- A threshold of \$300,000 was used for distinguishing between Type A and Type B programs for purposes of identifying major programs.
- The Town of Ball was not considered to be a low risk auditee as defined by the OMB Circular A-133

PART II

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2010-1: BILLING PRACTICES

The Town has enacted ordinances establishing rate structures and billing practices for sewer and sanitation customers. Despite enacting the necessary policies and procedures, management has deliberately deviated from the established rate structures. Departures from the rate structure include instances of providing service at a reduced rate and at least one instance of free service. In addition to failing to follow established internal controls, departures from the established rates represent a violation of provisions of state law that prohibit political subdivisions from donating things of value to persons, associations, or corporations. In order to resolve this issue, we recommend corrective action described as follows:

- Review existing ordinances establishing rate structures and billing practices to determine if changes are necessary. If improvements are needed, introduce an ordinance to implement the necessary revisions to rate structures and billing practices.
- Revise rate information entered into the Town's computer system to eliminate any deviation from the established rate structure.
- For future billing periods, established rate structures should be enforced without exceptions.

TOWN OF BALL

Summary of Findings and Questioned Cost December 31, 2010

2010-2: COMPENSATION OF ELECTED OFFICIALS

Proper administration of Municipal affairs requires adopting and implementing sound procedures for compensating elected officials. In order to establish the necessary procedures, some compensation practices need to be revised. Matters that need to be addressed are listed as follows:

- State Law requires the Town's Board of Aldermen to fix compensation for elected offices by adopting an ordinance establishing compensation amounts. The Mayor's compensation has not been established in the prescribed manner. We suggest seeking legal counsel to determining a course of action for correcting this oversight.
- In addition to his regular compensation, the Former Mayor received additional pay on several occasions. Documentation was not available to verify the purpose of the additional compensation. Questioned costs resulting from the absence of documentation totaled \$5,413. In addition, to violating law related to the compensation of elected officials, these additional payments are also a potential ethics violation.
- The former Mayor and Town Clerk resigned in February of 2011. Immediately preceding their resignations, these former officials prepared their final payroll checks. It is unclear how they arrived at the amount of compensation received upon resignation but it is apparent that the amount received exceeded compensation due for the pay period. The former Mayor received \$7,943.60 and the former Town Clerk received \$1,473.60. The portion of these payments representing 2011 questioned costs has not been determined.

2010-3: AUDIT ADJUSTMENTS AND RESTRICTED CASH ACCOUNTS

The previous schedule of findings and questioned costs included a finding described as 2009-I-1, indicating that certain audit adjustments and certain restricted cash accounts are not recorded on the Town's books. The Town's staff has made an effort to resolve this matter but a problem with the accounting software delayed the complete resolution of differences between the Town's books and the previous audited.

Management has recently corrected the problems with the accounting software. Accordingly, we recommend implementing the previous auditor's recommendations as soon as adjustments from the current audit are available.

2010-4: MUNICIPAL COURT

Charges appearing on citations issued by the Police Department are frequently reduced or dismissed by the municipal court. In many cases documentation of actions taken by the municipal court have been limited to informal notes. In order to enhance internal control, we suggest documenting future court decisions as follows:

- Any judicial action reducing or dismissing pending charges should be documented by an official entry in the court minutes.
- Actions by the prosecutor reducing or dismissing charges should be documented in writing and signed by the prosecutor.

2010-5: QUESTIONED COSTS

State Law requires the Town to receive a public benefit in exchange for any payments made from the Town's funds. Documentation supporting certain payments did not provide evidence of an apparent benefit. In addition, some of these payments could be interpreted as ethical violations.

A summary of these questioned costs is provided as follows:

TOWN OF BALL

Summary of Findings and Questioned Cost December 31, 2010

- An analysis of payments revealed 61 separate occasions when the Town purchased meals from restaurants or caterers. Documentation retained in connection with these payments did not indicate how the purchase of food benefited the general public. However, documentation in some cases demonstrated that the food was sent to funerals indicating that the purchases were gifts with no apparent public benefit. Furthermore, a larger portion of the meals were recorded in an expense account described as "Inmate Labor". Recording the transactions in this manner appears to be an attempt to conceal the purchases by misrepresenting the nature of the expense. Questioned costs resulting from the purchase of meals totaled \$10,296.
- Payments made by the Town include medical bills for treatment received by the former Mayor resulting in questioned costs totaling \$8,524. Responses to inquiries indicated that the former Mayor was injured responding to a fire and required emergency medical care. Further responses indicate that the former mayor involved himself in the fighting of the fire. He was overcome by smoke from the attic area while on a ladder and he not did have appropriate firefighting gear. There are no records to indicate the former mayor ever attended or participated in a firefighting class. The former Mayor's actions in this matter do not appear to be connected with his official duties and the Town is under no apparent obligation to pay expenses associated with his injuries. Additional concerns are described as follows:
 - It is unclear why the medical expenses were paid "out of pocket" since the former Mayor is covered by the Town's health insurance provider.
 - It does not appear that a claim was filed with the Town's workers compensation carrier. The absence of a claim is a further indication that responding to the fire was outside of the Mayor's official duties.
 - Payments made in connection with the matter were recorded in an expense account described as "repairs and maintenance". Recording the transactions in this manner appears to be an attempt to conceal the transaction by misrepresenting the nature of the expense.
- An analysis of payments made to the former Mayor's credit card provider indicated that the former Mayor received reimbursements totaling \$1,454 for beads related to the Town's Christmas Parade. In addition, payments to Sam's Wholesale Club included candy purchased in connection with the Christmas parade totaling \$5,509. There was no evidence of a public benefit resulting from the purchase of beads and candy. Typically public officials purchase parade supplies with personal or campaign funds since throwing merchandise to parade attendees tends to enhance the political figure's profile without benefitting the community at large. Questioned cost related to the Christmas parade totaled \$6,963.
- During the year ended December 31, 2010, the former Mayor received monthly payments totaling \$1,680. Inquiry of personnel indicated that these payments were for "Telephone Reimbursement". However, no documentation was provided to support these expenditures.

2010-6: TRANSACTION DETAILS

On numerous occasions, the description of cash disbursements recorded on the Town's general ledger system was limited to "one time vendor". In order to provide sufficient details for financial statement users and provide a suitable audit trail, future transactions appearing on Town's general ledger should fully identify the vendor receiving the payment.

TOWN OF BALL

Summary of Findings and Questioned Cost December 31, 2010

2010-7: CONTRACT LABOR

During the year ended December 31, 2010, the Town made 47 separate payments totaling \$16,822 to a single individual. Potential issues related to this arrangement are summarized as follows:

- The contractor did not furnish a formal invoice. Documentation was limited to a brief description of the work performed and the number of hours reported by the contractor for the pay period.
- The contractor was compensated for approximately 1,003 hours of labor for various odd jobs. Due to the amount of work performed and the variety of task performed, the contractor could be considered a part time employee under rules established by the IRS for distinguishing between contractors and employees.
- When a contractor labor receives more than \$600 in an annual period, the IRS requires the Town to report the payments on form 1099. However, the Town has no record of sending a 1099 to the recipient described above.

In order to enhance internal control we suggest revising procedures related to contract labor. Procedures to be implemented should include:

- Rather than compensating contract labors at an hourly rate, whenever possible, contractors should be paid a fixed price to complete a particular job.
- Contractors should be required to submit a formal invoice that clearly and completely describes the scope of the work performed. Furthermore, an official of the Town should be responsible for inspecting the work and documenting approval by signing off on the contractor's invoice.
- In order to assist with meeting Internal Revenue Service rules for distinguishing between contractor's and employees, the contractor should furnish the necessary tools and materials to complete the job.
- When annual compensation exceeds \$600, the Town should comply with 1099 reporting requirements.

SUMMARY

A summary of questioned costs appearing above is provided as follows:

| <u>Reference</u> | <u>Description</u> | <u>Amount</u> |
|------------------|--|-------------------------|
| 2010-2 | Payments to former Mayor in excess of regular compensation | \$ 5,413 |
| 2010-5 | Purchase of meals with no apparent public benefit | 10,296 |
| 2010-5 | Payment of former Mayor's medical bills | 8,524 |
| 2010-5 | Payments for parade supplies with no apparent public benefit | 6,693 |
| 2010-5 | Undocumented reimbursements paid to the former Mayor | 1,680 |
| | Total Questioned Costs | <u>\$ 32,606</u> |

PART III

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

NONE

As discussed in the independent auditors' report on compliance with requirement that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 there were no findings or questioned costs related to Federal Awards.

TOWN OF BALL

Management's Corrective Action Plan

December 31, 2010

| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
|--|---|
| <u>FINDINGS</u> | <u>RESPONSE</u> |
| <p><u>2010-1: Billing Practices</u></p> <p>The Town has enacted ordinances establishing rate structures and billing practices for sewer and sanitation customers. Despite enacting the necessary policies and procedures, management has deliberately deviated from the established rate structures. Departures from the rate structure include instances of providing service at a reduced rate and at least one instance of free service. In addition to failing to follow established internal controls, departures from the established rates represent a violation of provisions of state law that prohibit political subdivisions from donating things of value to persons, associations, or corporations</p> | <p><u>2010-1: Management's Response</u></p> <p>In the near future, the administration expects to introduce an ordinance that will make necessary revisions to the Town's rate structure. Once the ordinance is adopted, the new rate structure will be enforced without exceptions.</p> |
| <p><u>2010-2: Compensation of Elected Officials</u></p> <p>Proper administration of Municipal affairs requires adopting and implementing sound procedures for compensating elected officials. In order to establish the necessary procedures, some compensation practices need to be revised.</p> | <p><u>2010-2: Management's Response</u></p> <p>The Town has adopted compensation rates for elected officials that will take effect when the next term in office begins. Furthermore, management intends to follow the pay rates adopted the Board of Aldermen without exceptions.</p> |
| <p><u>2010-3: Audit Adjustments and Restricted Cash Accounts</u></p> <p>The previous schedule of findings and questioned costs included a finding described as 2009-1-1, indicating that certain audit adjustments and certain restricted cash accounts are not recorded on the Town's books. The Town's staff has made an effort to resolve this matter but a problem with the accounting software delayed the complete resolution of differences between the Town's books and the previous audited.</p> <p>Management is recently corrected the problems with the accounting software. Accordingly, we recommend implementing the previous auditor's recommendations as soon as adjustments from the current audit are available.</p> | <p><u>2010-3: Management's Response</u></p> <p>This matter has been partially resolved by closing out restricted cash accounts that were not reported on the Town's books. Due to changes in the composition of the Town's revenue structure, these accounts were no longer needed to satisfy restrictions imposed by former revenue sources.</p> <p>Additional corrective action by taken by posting adjusting journal entries approved in connection with the 2010 audit. Management expects to begin work on this process as soon as the audit report is submitted.</p> |

TOWN OF BALL

Management's Corrective Action Plan

December 31, 2010

| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
|---|---|
| <p><u>2010-4: Municipal Court</u> Charges appearing on citations issued by the Police Department are frequently reduced or dismissed by the municipal court. In many cases documentation of actions taken by the municipal court have been limited to informal notes. In order to enhance internal control, we suggest documenting future court decisions as follows:</p> <ul style="list-style-type: none">• Any judicial action reducing or dismissing pending charges should be documented by an official entry in the court minutes.• Actions by the prosecutor reducing or dismissing charges should be documented in writing and signed by the prosecutor. <p><u>2010-5: Questioned Costs</u> As described more fully in the Schedule of Findings and Questioned Costs, a portion of the costs incurred lack apparent elements of public benefit to comply with State Law and Ethics Provisions.</p> | <p><u>2010-4: Management's Response</u> Clerical personnel have been instructed not to process any reductions or dismissals without including proper documentation in the court records. This change in policy is expected to resolve the issue and prevent further problems.</p> <p><u>2010-5: Management's Response</u> In response to an internal review of activities, the current administration has eliminated the practices reported as questioned costs. Accordingly, no future questioned costs are anticipated.</p> |
| <p><u>2010-6: Transaction Details</u> On numerous occasions, the description of cash disbursements recorded on the Town's general ledger system was limited to "one time vendor". In order to provide sufficient details for financial statement users and provide a suitable audit trail, future transactions appearing on Town's general ledger should fully identify the vendor receiving the payment.</p> <p><u>2010-7: Contract Labor</u> As more fully described in the Schedule of Findings, several opportunities to strengthen controls related to contract labor were identified.</p> | <p><u>2010-6: Management's Response</u> Personnel responsible for recording transactions in our general ledger system will be instructed to avoid using the description "one time vendor". In the future, each purchase recorded on the Town's books will fully and accurately describe the vendor.</p> <p><u>2010-7: Management's Response</u> In order to establish proper controls, the Town intends to implement suggestions made in connection with the audit.</p> |

TOWN OF BALL

Management's Corrective Action Plan December 31, 2010

| | |
|---|---|
| SECTION II | |
| INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| <u>There were no findings of this nature.</u> | <u>Due to the absence of findings no response necessary</u> |
| SECTION III | |
| MANAGEMENT LETTER | |
| <u>There were no findings of this nature.</u> | <u>Due to the absence of findings no response necessary</u> |

TOWN OF BALL

Summary of Prior Year Findings and Questioned Cost

December 31, 2010

| SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS. | |
|---|---|
| <u>FINDINGS</u> <u>2009-I-1 Audit Adjustments and Restricted Cash Accounts</u> Audit adjustments and certain restricted cash accounts are not recorded on the Town's books. As a result, books and records of the Town do not agree with the audited financial statements. | <u>RESPONSE</u> <u>2009-I-1 Response</u> This matter has been partially resolved, See 2010-3. |
| SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS | |
| <u>FINDINGS</u> <u>No Findings of this nature.</u> | <u>RESPONSE</u> <u>No response necessary</u> |
| SECTION III MANAGEMENT LETTER | |
| <u>FINDINGS</u> <u>2009-M-1 Documentation of Expenditures</u> Test of expenditures revealed that some transactions were not supported by documentation as to the benefit to the Town or the purpose of the expenditure. In addition, expenditure for meals did not have documentation of the persons participating in the meal or the business purpose of the meal. | <u>RESPONSE</u> <u>2009-M-1 Response</u> This matters is unresolved. See 2010-5. |

ROZIER, HARRINGTON & MCKAY

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M. DALE HARRINGTON, CPA
RETIRED - 2005

June 22, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Town of Ball
Ball Louisiana

COMPLIANCE

We have audited the Town of Ball's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town of Ball's major federal programs for the year ended December 31, 2010. The Town of Ball's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Ball's management. Our responsibility is to express an opinion on Town of Ball's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Ball's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Ball's compliance with those requirements.

In our opinion, Town of Ball, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

INTERNAL CONTROL OVER COMPLIANCE

Management of the Town of Ball, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Ball's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Ball's internal control over compliance.

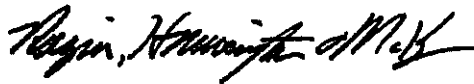
-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

A deficiency in internal control over compliance when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Town of Ball

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2010

| Federal Grantor/ Pass Through Grantor/ Program Title | CFDA Number | Expenditures |
|---|------------------------|---------------------|
| United States Environmental Protection Agency | | |
| Passed Through the Louisiana Department of Environmental Quality | | |
| ARRA - Capitalization Grants for Clean Water State | | |
| Revolving Funds | 66.458 | 883,231 |

Note

The schedule of expenditures of federal awards was prepared in conformity with generally accepted accounting principles. See Note 1 of the accompanying financial statements for further details.